



200 Allegheny Center Mall
Pittsburgh, PA 15212.5352
www.eqt.com

June 18, 2004

Mr. Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602

RECEIVED

JUN 21 2004

PUBLIC SERVICE
COMMISSION

RE: Equitable Gas Company
Case No.
GCR Filing Proposed to Become
Effective August 1, 2004

Case 2004-00255

Dear Mr. Dorman:

Enclosed are an original and five copies of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing for the calendar quarter ended April 30, 2004, for rates proposed to become effective August 1, 2004. Also included are an original and five copies of One Hundred-Sixth Revised Sheet No. 2 and Ninety-Eighth Revised Sheet No. 5, to Equitable's PSC Kentucky No. 1 Tariff which are being filed pursuant to the Purchased Gas Adjustment Provision of that Tariff.

This filing proposes a GCR rate of \$10.4831 per Mcf of sales, an increase of \$0.2524 per Mcf from the current PGA, which was approved in Case No. 2004-00100 effective May 1, 2004.

For the purpose of forecasting its (EGC), Equitable is assuming purchases based on the Appalachian Index price of gas for Columbia Transmission. This price is developed by averaging the 12 month Nymex strip beginning August 2004, and adding an additional \$0.27 Basis. A copy of the June 15, 2004 edition of the Gas Daily Nymex Futures is attached.

Schedule 1 of the filing is a summary of the proposed PGA rate components. Schedule 2 is a summary of the expected gas costs based on purchases for the 12 months ended April 2004. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended April 2004.

Schedules 4 and 5 are summaries of ACA components which are presently unreconciled.

Yours truly,

Robert M. Narkevic
Manager, Rates

Enclosures

EQUITABLE GAS COMPANY
A DIVISION OF EQUITABLE RESOURCES, INC.
200 ALLEGHENY CENTER MALL
PITTSBURGH, PA 15212-5352

ONE HUNDRED SIXTH REVISED SHEET NO. 2
CANCELING
ONE HUNDRED FIFTH REVISED SHEET NO. 2
P.S.C.K.Y. NO. 1

RATE

Customer: Various

Expiration: See "Special Conditions"

Point of Delivery:

At connection along Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky included in Equitable Gas Company's service area.

Rate:

Customer Service Charge: \$7.50

| | | | | | | |
|---------|------------------|---|--------------------------------|---|-------------------|-----|
| | <u>Base Rate</u> | + | <u>Gas Cost Recovery Rate*</u> | = | <u>Total Rate</u> | |
| All Mcf | \$2.1322 | | \$10.4831 per MCF | | \$12.6153 | (I) |

The minimum monthly bill shall be \$7.50.

*The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 4 and 5 of this tariff.

The following adjustment shall be made to the above rates:

- (1) Customer bills may also include gross receipts license taxes as authorized under the Kentucky Education Reform Act of 1990.

Gas delivered pursuant to this tariff is from pipelines owned and operated by Equitable Gas Company's supplier and all gas sold hereunder is made available by said supplier. Equitable shall have the right to abandon gas service to any customer served from any line which is no longer operated by its supplier for any reason whatsoever. All gas sold and delivered under this Tariff shall be delivered at the varying pressures of Equitable's supplier's pipeline, and it shall be the responsibility of the customer to supply, maintain, and operate the necessary regulator and related equipment for the customer's use.

(I) Denotes Increase.

ISSUED: June 18, 2004

D. L. Frutchey
Senior Vice President

EFFECTIVE: August 1, 2004

Equitable Gas Company
Kentucky Division

Summary of Gas Cost Recovery Rate
Proposed to Become Effective for the
Period August 1, 2004 through October 31, 2004

| Line No. | <u>Units</u> (1) | <u>Amount</u> (2) | |
|--|---|----------------------|------------------------|
| <u>GCR Components</u> | | | |
| 1 | Expected Gas Cost (EGC) | \$/Mcf | 9.9572 |
| 2 | Supplier Refund (RA) | \$/Mcf | 0.0000 |
| 3 | Actual Cost Adjustment (ACA) | \$/Mcf | 0.5483 |
| 4 | Balance Adjustment (BA) | \$/Mcf | <u>(0.0224)</u> |
| 5 | Gas Cost Recovery Rate (EGC + RA + ACA + BA) | \$/Mcf | <u><u>10.4831</u></u> |
| <u>Expected Gas Cost Calculation (EGC)</u> | | | |
| 6 | Total Expected Cost of Gas | \$ | 3,023,666 (a) |
| 7 | Total Annual Sales | Mcf | <u>303,667 (b)</u> |
| 8 | Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7) | \$/Mcf | <u><u>9.9572</u></u> |
| <u>Supplier Refund Adjustment Summary</u> | | | |
| 9 | Current Quarter Refund Adjustment | \$/Mcf | 0.0000 (c) |
| 10 | Previous Quarter Refund Adjustment | \$/Mcf | 0.0000 (d) |
| 11 | 2nd Previous Quarter Refund Adjustment | \$/Mcf | 0.0000 (e) |
| 12 | 3rd Previous Quarter Refund Adjustment | \$/Mcf | <u>0.0000 (f)</u> |
| 13 | Supplier Refund Adjustment (RA) | \$/Mcf | <u><u>0.0000</u></u> |
| <u>Actual Cost Adjustment Summary</u> | | | |
| 14 | Current Quarter Adjustment | \$/Mcf | 0.1802 (g) |
| 15 | Previous Quarter Adjustment | \$/Mcf | 0.5381 (d) |
| 16 | 2nd Previous Quarter Adjustment | \$/Mcf | (0.2046) (e) |
| 17 | 3rd Previous Quarter Adjustment | \$/Mcf | 0.0346 (f) |
| 18 | Actual Cost Adjustment (ACA) | \$/Mcf | <u><u>0.5483</u></u> |
| <u>Balance Adjustment Summary</u> | | | |
| 19 | Current Quarter Adjustment | \$/Mcf | 0.0487 (h) |
| 20 | Previous Quarter Adjustment | \$/Mcf | (0.0030) (d) |
| 21 | 2nd Previous Quarter Adjustment | \$/Mcf | (0.0189) (e) |
| 22 | 3rd Previous Quarter Adjustment | \$/Mcf | (0.0492) (f) |
| 23 | Balance Adjustment (BA) | \$/Mcf | <u><u>(0.0224)</u></u> |

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during February 2004 through April 2004.

(d) As approved in Case No. 2004-00100.

(e) As approved in Case No. 2003-00493.

(f) As approved in Case No. 2003-00362.

(g) See Schedule 4.

(h) See Schedule 5.

Equitable Gas Company
Kentucky Division

Calculation of Expected Gas Cost Based on Purchases
for the Twelve Months Ended April 2004 At Supplier
Costs Estimated to Become Effective August 1, 2004

| | <u>Purchases</u> (1) Mcf | <u>Purchases</u> (2) Dth | <u>Average Rate</u> (3) \$/Dth (a) | <u>Annual Cost</u> (4) \$ (2) x (3) |
|------------------|--------------------------------|--------------------------------|---|--|
| <u>PURCHASES</u> | | | | |
| 1 May | 13,634 | 17,438 | 8.1853 | 142,735 |
| 2 June | 9,072 | 10,915 | 8.1853 | 89,343 |
| 3 July | 6,115 | 7,328 | 8.1853 | 59,982 |
| 4 August | 5,459 | 6,866 | 8.1853 | 56,200 |
| 5 September | 5,071 | 5,555 | 8.1853 | 45,469 |
| 6 October | 9,915 | 7,306 | 8.1853 | 59,802 |
| 7 November | 19,479 | 28,496 | 8.1853 | 233,248 |
| 8 December | 39,137 | 53,660 | 8.1853 | 439,223 |
| 9 January 2004 | 62,519 | 79,883 | 8.1853 | 653,866 |
| 10 February | 41,774 | 80,353 | 8.1853 | 657,713 |
| 11 March | 62,197 | 30,048 | 8.1853 | 245,952 |
| 12 April | 29,296 | 41,554 | 8.1853 | 340,132 |
| 13 Total | <u>303,667</u> | <u>369,402</u> | <u>-</u> | <u>3,023,666</u> |

(a) Estimated average rate based on average Nymex prices plus TCO basis for a 12 month period, plus \$0.7251/Dth VTS Rate from Kentucky West Virginia Gas Company, and adjusted for 11% retainage.

Equitable Gas Company
Kentucky Division

Summary of Sales

| <u>Line</u> <u>No.</u> | <u>Month</u> | <u>Sales</u> (1) Mcf |
|---------------------------|--------------|----------------------------|
| 1 | May | 13,634 |
| 2 | June | 9,072 |
| 3 | July | 6,115 |
| 4 | August | 5,459 |
| 5 | September | 5,071 |
| 6 | October | 9,915 |
| 7 | November | 19,479 |
| 8 | December | 39,137 |
| 9 | January 2004 | 62,519 |
| 10 | February | 41,774 |
| 11 | March | 62,197 |
| 12 | April | 29,296 |
| 13 | Total | <u>303,667</u> |

Equitable Gas Company
Kentucky Division

Calculation of Actual Cost Adjustment for the Period
February 2004 through April 2004

| <u>Description</u> | <u>Unit</u> (1) | <u>February</u> (2) | <u>March</u> (3) | <u>April</u> (4) | <u>Total</u> (5) |
|---|--------------------|------------------------|---------------------|---------------------|---------------------|
| 1 Supply Volume Per Invoice | Dth | 80,353 | 30,048 | 41,554 | 151,955 |
| 2 Supply Cost Per Books | \$ | 643,155 | 217,268 | 314,742 | 1,175,166 |
| 3 Sales Volume | Mcf | 41,774 | 62,197 | 29,296 | 133,266 |
| 4 EGC Rate in Effect (a) | \$/Mcf | 8.4076 | 8.4076 | 8.4076 | |
| 5 EGC Revenue (Line 3 x Line 4) | \$ | 351,219 | 522,925 | 246,305 | 1,120,449 |
| 6 Over/(Under) Recovery (Line 5 - Line 2) | \$ | (291,936) | 305,657 | (68,437) | (54,717) |
| 7 Total Current Quarter Actual Cost to be included in rates | | | | | (54,717) |
| 8 Sales for the 12 Months Ended April 2004 | | | | | 303,667 |
| Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8) | | | | | 0.1802 |

(a) Approved in Case No. 2003-00493.

Equitable Gas Company
Kentucky Division

Calculation of Balancing Adjustment for
Over/(Under) Recoveries of Gas Cost Incurred
During the Period May 2003 through April 2004

| | <u>Sales</u> | <u>ACA</u> <u>Rate</u> | <u>ACA</u> <u>Recovery</u> | <u>Over/(Under)</u> <u>Collection</u> <u>Balance</u> |
|--|----------------|---------------------------|-------------------------------|--|
| | (1) | (2) | (3) | (4) |
| | Mcf | \$/Mcf | \$ (1) x (2) | \$ |
| Balance Approved by the Commission in Case No. 2003-00111 | | | | (206,703) |
| <u>Actual</u> | | | | |
| May | 13,634 | 0.6320 | 8,617 | (198,086) |
| June | 9,072 | 0.6320 | 5,734 | (192,352) |
| July | 6,115 | 0.6320 | 3,865 | (188,488) |
| August | 5,459 | 0.6320 | 3,450 | (185,038) |
| September | 5,071 | 0.6320 | 3,205 | (181,833) |
| October | 9,915 | 0.6320 | 6,266 | (175,566) |
| November | 19,479 | 0.6320 | 12,311 | (163,256) |
| December | 39,137 | 0.6320 | 24,735 | (138,521) |
| January 2004 | 62,519 | 0.6320 | 39,512 | (99,009) |
| February | 41,774 | 0.6320 | 26,401 | (72,608) |
| March | 62,197 | 0.6320 | 39,308 | (33,300) |
| April | 29,296 | 0.6320 | 18,515 | (14,785) |
| Total | <u>303,667</u> | | <u>191,918</u> | |

Estimated Annual Sales 303,667 Mcf

Balancing Adjustment \$0.0487 /Mcf
(\$14,785 ÷ 303,667 Mcf)

Equitable Gas Company
Kentucky Division

Summary of Proposed Tariff Rates

| | <u>Current Tariff Rate</u> (1) \$/Mcf (a) | <u>Current GCR Rate</u> (2) \$/Mcf (b) | <u>Proposed GCR Rate</u> (3) \$/Mcf | <u>Difference</u> (4) \$/Mcf (3) - (2) | <u>Proposed Tariff Rate</u> (5) \$/Mcf (1) + (4) |
|---------|--|---|---|---|---|
| All MCF | 12.3629 | 10.2307 | 10.4831 | 0.2524 | 12.6153 |

- (a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.
(b) Rate approved by the Commission at Case No. 2003-00493.

exchange, all they have to do is to simply certify to us that the contracts as listed are consistent with all of those core principles."

Gorham said that although the law makes it easier for the exchanges to introduce new products, "that didn't mean we didn't have to review the contracts to make sure that they did comply—we would do that work afterward."

Most of the new NYMEX products are "basis contracts related either to crude oil or natural gas," he explained. "NYMEX has been quite innovative in creating this huge family of products."

In addition to the traditional futures exchanges such as NYMEX, the 2000 law created several new categories of non-regulated futures markets. "We don't really have much regulatory authority over them," Gorham said.

One new category—exempt commercial markets—has "been populated by a group of energy trading facilities," the most well-known of which is IntercontinentalExchange. Developing rules to oversee markets such as ICE was one of the biggest challenges Gorham and his division have faced.

"Congress said that those markets needed to give us some access to their facility," he said. "We drafted rules several years ago. Those rules gave us essentially electronic access to the facilities."

What that meant was the CFTC had access to real-time trading data on platforms such as ICE. But that soon proved an imperfect enforcement technique, Gorham said.

"The problem is if you just sit in front of the screen and you watch the prices, it's very difficult to see a potential manipulation," he said. "Besides, to have to pay a person to watch each market is not very productive."

Instead, the CFTC proposed a rule that would require these markets to "report to us on a weekly basis all of the transactions that occur," he said. The weekly reports will contain no information about counterparties but will include "information about the transactions, the prices, quantities, types of commodity, etc., on each transaction in the facility that's a futures contract or that looks like a futures contract."

Gorham said he expects the commission to issue a final rule on the reporting requirements soon.

Gorham had some parting words of advice for his successor. "Don't plan to have any life outside of your work," he said. "This has been the best job I've had in my life. I've absolutely loved this. It's been great. But I've been here 11 hours every day and virtually no vacation."

JM

Williams eyes expansion of Transco ... from page 1

area, continue to grow," said Doug Whisenant, Williams' senior vice president for natural gas pipelines. "This expansion project is specifically designed to address the market's needs."

The expansion would occur along two primary paths in Transco's zone 6: Nassau County, N.Y., would get 100,000 Dt/day, while the remaining 50,000 Dt/day would be routed to Transco's station 210 in central New Jersey.

Williams expects to spend about 75% of the cost of the project in 2007 and said it would recover its investment through normal operations when the extra capacity comes online. The firm said the capital expenditures would have no impact on the 2004-06 financial guidance it has already provided to investors.

For additional information regarding the expansion project, potential shippers should contact Nancy Hargrove at 713-215-2926 or Hector Alatorre at 713-215-4256. Shippers must complete and return the transportation service request by 5 p.m. CDT on July 13.

BH

Mergers should lead to drilling boom ... from page 1

"Acquiring mid- and small-cap peers, or assets from the majors, is becoming an increasingly popular means for large-caps to enhance their growth outlook for the next five to 10 years," the study said.

One result of the M&A activity "is for the acquirer to immediately boost drilling activity on the new properties," the study said. "Unlike the majors, who have long

NYMEX Henry Hub gas futures contract, Jun 14

| | Settlement | High | Low | +/- | Volume* |
|------------|------------|-------|-------|------|---------|
| July, 2004 | 6.244 | 6.330 | 6.170 | +6.8 | — |
| August | 6.312 | 6.380 | 6.230 | +6.6 | — |
| September | 6.337 | 6.420 | 6.260 | +7.1 | — |
| October | 6.362 | 6.400 | 6.270 | +7.1 | — |
| November | 6.580 | 6.600 | 6.510 | +7.1 | — |
| December | 6.783 | 6.830 | 6.695 | +7.1 | — |
| Jan., 2005 | 6.911 | 6.920 | 6.840 | +7.1 | — |
| February | 6.860 | 6.870 | 6.770 | +7.0 | — |
| March | 6.695 | 6.710 | 6.630 | +7.3 | — |
| April | 6.020 | 6.030 | 5.980 | +5.0 | — |
| May | 5.845 | 5.850 | 5.820 | +4.5 | — |
| June | 5.850 | 5.865 | 5.810 | +4.0 | — |
| July | 5.880 | 5.900 | 5.860 | +3.5 | — |
| August | 5.890 | 5.910 | 5.890 | +3.2 | — |
| September | 5.865 | 5.870 | 5.860 | +3.5 | — |
| October | 5.879 | 5.870 | 5.870 | +3.5 | — |
| November | 6.049 | 6.050 | 6.050 | +3.5 | — |
| December | 6.229 | 6.229 | 6.229 | +3.5 | — |
| Jan., 2006 | 6.346 | 6.346 | 6.346 | +3.5 | — |
| February | 6.296 | 6.296 | 6.296 | +3.5 | — |
| March | 6.106 | 6.106 | 6.106 | +3.5 | — |
| April | 5.471 | 5.471 | 5.471 | +2.5 | — |
| May | 5.306 | 5.300 | 5.300 | +2.0 | — |
| June | 5.311 | 5.300 | 5.300 | +2.0 | — |
| July | 5.333 | 5.330 | 5.330 | +2.0 | — |
| August | 5.351 | 5.350 | 5.350 | +2.0 | — |
| September | 5.321 | 5.320 | 5.320 | +2.0 | — |
| October | 5.333 | 5.333 | 5.333 | +2.0 | — |
| November | 5.503 | 5.503 | 5.503 | +2.0 | — |
| December | 5.668 | 5.668 | 5.668 | +2.0 | — |
| Jan. 2007 | 5.768 | 5.768 | 5.768 | +2.0 | — |
| Feb. | 5.718 | 5.718 | 5.718 | +2.0 | — |
| March | 5.518 | 5.518 | 5.518 | +2.0 | — |
| April | 5.048 | 5.050 | 5.050 | +2.0 | — |
| May | 4.908 | 5.668 | 5.668 | +1.0 | — |
| June | 4.910 | 4.910 | 4.910 | +1.0 | — |

Volume of contracts (official*)

0

Front-months open interest Friday :

JUL, n/a ; AUG, n/a ; SEP, n/a

Total open interest Friday : n/a

NYMEX Henry Hub options closings, Jun 14

| Strike | Calls-Settle | | | Puts-Settle | | |
|--------|--------------|-------|-------|-------------|-------|-------|
| | Jul. | Aug. | Sep. | Jul. | Aug. | Sep. |
| 6.05 | 27.5¢ | 45.5¢ | 55.1¢ | 8.1¢ | 19.4¢ | 28.1¢ |
| 6.10 | 24.2¢ | 42.6¢ | 53.2¢ | 9.8¢ | 21.4¢ | 29.6¢ |
| 6.15 | 21.2¢ | 39.8¢ | 48.1¢ | 11.8¢ | 23.6¢ | 31.9¢ |
| 6.20 | 18.5¢ | 37.1¢ | 45.4¢ | 14.1¢ | 25.9¢ | 33.4¢ |
| 6.25 | 16.0¢ | 34.6¢ | 43.4¢ | 16.6¢ | 28.4¢ | 36.7¢ |
| 6.30 | 13.8¢ | 32.2¢ | 42.7¢ | 19.4¢ | 30.8¢ | 39.6¢ |
| 6.35 | 11.8¢ | 30.0¢ | 40.7¢ | 22.4¢ | 33.8¢ | 42.0¢ |
| 6.40 | 10.1¢ | 27.9¢ | 38.7¢ | 25.7¢ | 36.7¢ | 45.1¢ |
| 6.45 | 8.6¢ | 26.0¢ | 36.9¢ | 29.2¢ | 39.8¢ | 48.1¢ |

Platts oil prices, Jun 14

| | (\$/b) | (\$/MMBtu) |
|------------------------|-------------|------------|
| Gulf Coast spot | | |
| 1% Resid | 32.25-32.50 | 5.15 |
| 3% Resid | 24.25-24.70 | 3.89 |
| Crude spot | | |
| WTI (July) | 37.46-37.48 | 5.96 |
| New York spot | | |
| No.2 | 40.95-41.06 | 6.52 |
| 0.3% Resid HP | 32.30-32.60 | 5.16 |
| 0.3% Resid LP | 33.75-34.00 | 5.39 |
| 0.7% Resid | 31.00-31.25 | 4.95 |
| 1% Resid HP | 29.25-29.75 | 4.69 |